

SENATE BILL REPORT

HB 1143

As Reported By Senate Committee On:
Judiciary, February 29, 2008

Title: An act relating to notices of dishonor.

Brief Description: Concerning notices of dishonor.

Sponsors: Representatives Lantz, O'Brien, Williams, Campbell, Rodne, Goodman and Moeller.

Brief History: Passed House: 1/23/08, 96-1.

Committee Activity: Judiciary: 2/27/08, 2/29/08 [DP].

SENATE COMMITTEE ON JUDICIARY

Majority Report: Do pass.

Signed by Senators Kline, Chair; Tom, Vice Chair; McCaslin, Ranking Minority Member; Carrell, Hargrove, McDermott, Roach and Weinstein.

Staff: Robert Kay (786-7405)

Background: Federal and state laws govern collection agencies. Under the Federal Fair Debt Collection Practices Act, a debtor has 30 days to dispute a debt from the date the debtor receives the notice of collection. The collection agency may not take certain action within that 30-day period.

Under state law, a collection agency sends a debtor a notice of dishonor. A debtor has 33 days from the date the notice is postmarked or personally delivered before the debtor becomes liable for certain costs and fees and before the collection agency may take court action to collect the debt. If court action is taken, the debtor is also liable for reasonable attorneys' fees plus three times the face amount of the check or \$300, whichever is less. The notice of dishonor must be in a form prescribed in the statutes. The notice to the debtor specifies the fees and costs that may be added and a cautionary statement about other consequences that might occur if the amount is not paid.

Summary of Bill: The debtor is presumed to have received the notice of dishonor three days from the date the notice is mailed. A statement is added to the notice of dishonor form, informing the debtor that the amount the debtor may be liable for if court action is taken, is advisory only, and should not be construed to mean that legal action is contemplated or intended.

Appropriation: None.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: With the changes made by this bill to the statute governing procedures for collection of a debt upon the dishonoring of a check, collection agencies will more effectively be able to honor consumer rights to dispute the nature and amount of a debt. This bill will enable collection agencies to be more easily in compliance with federal and state law. The provision in the bill amending the statutory notice of possible legal action furthers the interest of collectors in not violating debtors' rights.

Persons Testifying: PRO: Greg Luhn, Washington Collector's Association.